

**PRESQUE ISLE TOWNSHIP
PRESQUE ISLE COUNTY, MICHIGAN**

Audited Financial Statements and
Other Supplementary Financial Information
Year Ended June 30, 2008

STRALEY, ILSLEY & LAMP P.C.

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ANNUAL FINANCIAL REPORT

Presque Isle Township
June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Presque Isle Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of **Presque Isle Township, Michigan** as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Presque Isle Township, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of **Presque Isle Township, Michigan**, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated December 17, 2008, on our consideration of **Presque Isle Township, Michigan's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing over internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Presque Isle Township, Michigan's** basic financial statements. The accompanying combining and individual financial statements, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The combining and individual financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Straley, Irlby & Lamp P.C.

December 17, 2008

Presque Isle Township Management's Discussion and Analysis

As management of the Township of Presque Isle, Michigan, we offer readers of the Township of Presque Isle, Michigan financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements and related footnotes which follow this report.

Financial Highlights

- The assets of the Township of Presque Isle exceeded its liabilities at the close of the most recent fiscal year by \$2,458,489 (*net assets*). Of this amount, \$330,368 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township of Presque Isle's total net assets increased by \$145,487. The primary reason for the increase was an increase in fund balance of the governmental funds of \$118,317 and \$34,240 in the enterprise fund.
- The Township of Presque Isle provided services of \$608,412 in governmental activities and \$31,940 of business-type activities for expenses totaling \$640,352 during the year ended June 30, 2008.
- At the close of the fiscal year, the Township of Presque Isle's governmental funds reported a combined ending fund balance of \$1,363,558 with \$542 reserved for debt retirement, \$662,835 reserved for road improvements, \$369,814 reserved for capital outlay, and \$330,367 available as unrestricted fund balances.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$262,305 or 75 percent of total general fund expenditures and transfers to other funds in comparison to \$272,488 at the close of the prior year, a decrease of \$10,183.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Presque Isle Township financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Township's governmental funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of others. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Presque Isle Township Management's Discussion and Analysis

Government-Wide Financial Statements	Fund Financial Statements
Notes to the Basic Financial Statements <u>(Required Supplemental Information)</u>	
Budgetary information for General Fund, and Major Funds	
<u>Other Supplemental Information</u>	
Individual Fund Statements	

Reporting the Township as a Whole – Government-wide Financial Statements

The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information about the Township as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the Township's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets - is one way to measure the Township's financial health, or position. Over time, increases or decreases in the Township's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Township's operating results. However, the Township's goal is to provide services to our taxpayers, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided to assess the overall health of the Presque Isle Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government, public safety, public works, recreation and culture and debt service. Property taxes and state shared revenue finance most of these activities.

Reporting the Township's Most Significant Funds – Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by state law and by bond covenants. However, the Township may establish other funds to help it control and manage money for a particular purpose (the Road Special Assessment Funds, Planning and Long-Range Recreation funds are examples) or to show that it is meeting its legal responsibilities for using certain taxes, grants, or other money. The governmental funds of the Township use the following accounting approach:

Governmental Funds – All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

Presque Isle Township Management's Discussion and Analysis

The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

The Township as Trustee – Reporting the Township's Fiduciary Responsibilities

The Township is a trustee, or fiduciary, for its collection of taxes. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. We excluded these activities from the Township's other financial statement because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The Township as a Whole

Recall that the statement of net assets provides the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of June 30, 2008 and 2007:

TABLE 1

Township of Presque Isle's, Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 1,666,576	\$ 1,685,219	\$ 13,601	\$ 14,086	\$ 1,680,177	\$ 1,699,305
Capital assets	529,405	547,534	409,364	374,639	938,769	922,173
Total assets	2,195,981	2,232,753	422,965	388,725	2,618,946	2,621,478
Current liabilities	160,457	153,476	-	-	160,457	153,476
Noncurrent liabilities	-	155,000	-	-	-	155,000
Total liabilities	160,457	308,476	-	-	160,457	308,476
Net assets:						
Invested in capital assets, net of related debt	529,405	547,534	409,364	374,639	938,769	922,173
Restricted	1,189,352	1,057,961	-	-	1,189,352	1,057,961
Unrestricted	316,767	318,782	13,601	14,086	330,368	332,868
Total net assets	\$ 2,035,524	\$ 1,924,277	\$ 422,965	\$ 388,725	\$ 2,458,489	\$ 2,313,002

The above analysis focuses on the net assets. The change in net assets (see Table 2) of the Township's governmental activities is discussed below. The Township's net assets were \$2,458,489 at June 30, 2008. Capital assets, net of related debt totals \$938,769 and compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. The remaining amount of the net assets \$1,189,352 is restricted for specific purposes while the balance of \$330,368 was unrestricted.

Presque Isle Township Management's Discussion and Analysis

The \$316,767 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the Township to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2008 and a comparative of fiscal year 2007.

TABLE 2

Township of Presque Isle's, Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 70,553	\$ 171,084	\$ 25,697	\$ 29,733	\$ 96,250	\$ 200,817
Operating grants and Contributions	3,535	2,866	4,485	-	8,020	2,866
General revenues:						
Property taxes	497,345	471,034	-	-	497,345	471,034
Sales taxes	115,622	115,036	-	-	115,622	115,036
Investment earnings	32,604	40,087	839	594	33,443	40,681
Transfers	-	-	-	-	-	-
Total revenues	<u>719,659</u>	<u>800,107</u>	<u>31,021</u>	<u>30,327</u>	<u>750,680</u>	<u>830,434</u>
Expenses:						
General government	201,243	190,710	-	-	201,243	190,710
Public safety	287,461	270,061	-	-	287,461	270,061
Public works	35,826	190,773	-	-	35,826	190,773
Community development	32,405	27,909	-	-	32,405	27,909
Parks and recreation	19,379	10,333	31,940	33,402	51,319	43,735
Other	16,520	1,709	-	-	16,520	1,709
Interest on long-term debt	15,578	23,444	-	-	15,578	23,444
Total expenses	<u>608,412</u>	<u>714,939</u>	<u>31,940</u>	<u>33,402</u>	<u>640,352</u>	<u>748,341</u>
Change in net assets	111,247	85,168	34,240	(3,075)	145,487	82,093
Net assets – beginning	<u>1,924,277</u>	<u>1,839,109</u>	<u>388,725</u>	<u>391,800</u>	<u>2,313,002</u>	<u>2,230,909</u>
Net assets – end	<u>\$ 2,035,524</u>	<u>\$ 1,924,277</u>	<u>\$ 422,965</u>	<u>\$ 388,725</u>	<u>\$ 2,458,489</u>	<u>\$ 2,313,002</u>

Presque Isle Township Management's Discussion and Analysis

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$608,412. Certain activities were partially funded from those who benefited from the programs (\$74,088). We paid for the remaining "public benefit" portion of our governmental activities with \$497,345 in taxes, \$115,622 in state revenue sharing and \$32,604 with our other revenues (i.e., interest and other general revenue).

The Township experienced an increase in net assets of \$111,247. Key reasons for the change in net assets included an increase in property tax revenue, and reduced expenses in public works.

As discussed above, the net cost shows the financial burden that was placed on the Township's taxpayers by each of these functions. Since property taxes for operations and State Revenue Sharing constitute the majority of Township operating revenue sources, the Township Board must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

Business-Type Activities

The Township's business-type activities consist of the operation and maintenance of the Old Lighthouse Park. During the year ended June 30, 2008 the park experienced an increase in net assets of \$34,240 and ended the year with Total Net Assets of \$422,965.

The Township's Funds

As we noted earlier, the Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide and may provide more insight into the Township's overall financial health. As the Township completed this year, the governmental funds reported a combined fund balance of \$1,363,558 which is an increase of \$118,317 from last year. The General Fund balance available to fund general operations costs for services remains stable at \$262,305.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. (A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements).

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008, the Township had \$529,405 invested in capital assets, including land, land improvements, buildings and improvements, and office equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$18,129 from last year.

**Presque Isle Township
Management's Discussion and Analysis**

TABLE 3

PRESQUE ISLE TOWNSHIP'S, Capital Assets

	<u>2008</u>	<u>2007</u>
Land	\$ 212,300	\$ 212,300
Land Improvements	134,530	134,530
Buildings	314,340	314,340
Building Improvements	45,665	45,665
Office Equipment	<u>18,138</u>	<u>18,138</u>
Total Capital Assets	724,973	724,973
Less Accumulated Depreciation	<u>195,568</u>	<u>177,439</u>
Net Capital Assets	<u>\$ 529,405</u>	<u>\$ 547,534</u>

There were no new additions this year. No new debt was issued.

Debt

At the end of this year, the Township had \$155,000 in outstanding bonded debt. During the year ended June 30, 2008 the Township was able to reduce its long term debt obligation by \$150,000.

More detailed information about our long-term liabilities is contained in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our Township Board and administration consider many factors when setting the Township's 2008-09 fiscal year budget. The 2008-09 fiscal year budget was adopted in June 2008 based on property tax, and state revenue estimates available at that time.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of the Township Clerk, 12653 East Grand Lake Road, Presque Isle, Michigan 49777.

Presque Isle Township

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,311,800	\$ 25,321	\$ 1,337,121
Receivables (net of allowance for uncollectible accounts)	298,956	-	298,956
Prepaid items	44,100	-	44,100
Internal balances	11,720	(11,720)	-
Noncurrent assets:			
Capital assets not being depreciated	212,300	-	212,300
Capital assets being depreciated	512,673	477,088	989,761
Accumulated depreciation	(195,568)	(67,724)	(263,292)
Total assets	<u>2,195,981</u>	<u>422,965</u>	<u>2,618,946</u>
LIABILITIES			
Accrued liabilities	4,062	-	4,062
Accrued interest payable	1,395	-	1,395
Noncurrent liabilities			
Due within one year			
Bonds and loans	155,000	-	155,000
Total liabilities	<u>160,457</u>	<u>-</u>	<u>160,457</u>
NET ASSETS			
Invested in capital assets, net of related debt	529,405	409,364	938,769
Restricted for:			
Debt retirement	542	-	542
Road improvements	805,396	-	805,396
Capital outlay	383,414	-	383,414
Unrestricted	316,767	13,601	330,368
Total net assets	<u>\$ 2,035,524</u>	<u>\$ 422,965</u>	<u>\$ 2,458,489</u>

See accompanying notes to financial statements.

Presque Isle Township

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental activities:				
General government	\$ 201,243	\$ 12,949	\$ -	\$ -
Public safety	287,461	-	660	-
Public works	35,826	55,794	2,875	-
Community/economic development	32,405	1,810	-	-
Parks and recreation	19,379	-	-	-
Other	16,520	-	-	-
Interest on long-term debt	15,578	-	-	-
Total governmental activities	608,412	70,553	3,535	-
Business-type activities:				
Old Lighthouse Park	31,940	25,697	4,485	35,159
Total business-type activities	31,940	25,697	4,485	35,159
Total primary government	\$ 640,352	\$ 96,250	\$ 8,020	\$ 35,159

General revenues:

Property taxes, levied for general purposes

State sales tax

Investment earnings

Total general revenues and transfers

Change in net assets

Net assets - beginning of the year

Net assets - end of the year

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (188,294)	\$ -	\$ (188,294)
(286,801)	-	(286,801)
22,843	-	22,843
(30,595)	-	(30,595)
(19,379)	-	(19,379)
(16,520)	-	(16,520)
(15,578)	-	(15,578)
(534,324)	-	(534,324)
-	33,401	33,401
-	33,401	33,401
(534,324)	33,401	(500,923)
497,345	-	497,345
115,622	-	115,622
32,604	839	33,443
645,571	839	646,410
111,247	34,240	145,487
1,924,277	388,725	2,313,002
\$ 2,035,524	\$ 422,965	\$ 2,458,489

See accompanying notes to financial statements.

Presque Isle Township

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Presque Isle Township Fire #2	East Grand Lake Fire Department
ASSETS			
Cash and cash equivalents	\$ 262,267	\$ -	\$ -
Special assessments receivable	-	-	-
Due from other funds	-	-	-
Prepaid items	4,100	-	-
Total assets	<u>\$ 266,367</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 4,062	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>4,062</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved for:			
Debt retirement	-	-	-
Road improvements	-	-	-
Capital outlay	-	-	-
Unreserved, reported in			
General fund	262,305	-	-
Capital project funds	-	-	-
Permanent fund	-	-	-
Total fund balances	<u>262,305</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 266,367</u>	<u>\$ -</u>	<u>\$ -</u>

Road Assessments P.I.H.A.	Road Assessments Parallel Road	Road Assessments Grand Lake Blvd	Debt Retirement P.I.H.A.	Capital Improvements
\$ 173,177	\$ 61,644	\$ 81,735	\$ 542	\$ 297,495
123,342	67,419	46,276	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 296,519</u>	<u>\$ 129,063</u>	<u>\$ 128,011</u>	<u>\$ 542</u>	<u>\$ 297,495</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	50,000	-	-
123,342	67,419	46,276	-	-
<u>123,342</u>	<u>67,419</u>	<u>96,276</u>	<u>-</u>	<u>-</u>
-	-	-	542	-
173,177	61,644	31,735	-	-
-	-	-	-	297,495
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>173,177</u>	<u>61,644</u>	<u>31,735</u>	<u>542</u>	<u>297,495</u>
<u>\$ 296,519</u>	<u>\$ 129,063</u>	<u>\$ 128,011</u>	<u>\$ 542</u>	<u>\$ 297,495</u>

Continued

Presque Isle Township

BALANCE SHEET - GOVERNMENTAL FUNDS - CONTINUED

June 30, 2008

	Road Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 107,467	\$ 327,473	\$ 1,311,800
Special assessments receivable	-	61,919	298,956
Due from other funds	50,000	11,720	61,720
Prepaid items	40,000	-	44,100
Total assets	<u>\$ 197,467</u>	<u>\$ 401,112</u>	<u>\$ 1,716,576</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ -	\$ -	\$ 4,062
Due to other funds	-	-	50,000
Deferred revenue	-	61,919	298,956
Total liabilities	<u>-</u>	<u>61,919</u>	<u>353,018</u>
Fund Balances:			
Reserved for:			
Debt retirement	-	-	542
Road improvements	197,467	198,812	662,835
Capital outlay	-	72,319	369,814
Unreserved, reported in			
General fund	-	-	262,305
Capital project funds	-	13,600	13,600
Permanent fund	-	54,462	54,462
Total fund balances	<u>197,467</u>	<u>339,193</u>	<u>1,363,558</u>
Total liabilities and fund balances	<u>\$ 197,467</u>	<u>\$ 401,112</u>	<u>\$ 1,716,576</u>

See accompanying notes to financial statements.

Presque Isle Township

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS**

As of June 30, 2008

Fund balances - Total governmental funds		\$	1,363,558
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.			
Governmental capital assets	\$	724,973	
Less accumulated depreciation		<u>(195,568)</u>	529,405
Deferred revenue in the governmental funds is susceptible to full accrual on the Statement of Net Assets.			
Deferred revenue			298,956
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.			
Bonds payable		(155,000)	
Accrued interest payable		<u>(1,395)</u>	<u>(156,395)</u>
Net Assets of Governmental Activities			<u>\$ 2,035,524</u>

See accompanying notes to financial statements.

Presque Isle Township

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

June 30, 2008

	General Fund	Presque Isle Township Fire #2	East Grand Lake Fire Department
REVENUES			
Taxes	\$ 210,934	\$ 140,227	\$ 146,184
Licenses and permits	1,810	-	-
Special assessments	-	-	-
Interest on special assessments	-	-	-
State revenue	116,282	-	-
Charges for services	-	-	-
Investment income and rents	7,527	180	270
Other	1,338	-	-
Total revenues	<u>337,891</u>	<u>140,407</u>	<u>146,454</u>
EXPENDITURES			
Current operations:			
General government	177,155	-	-
Public safety	600	140,407	146,454
Public works	3,315	-	-
Community and economic development	32,405	-	-
Parks and recreation	2,191	-	-
Other	16,520	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fees	-	-	-
Total expenditures	<u>232,186</u>	<u>140,407</u>	<u>146,454</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>105,705</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(115,888)	-	-
Total other financing sources (uses)	<u>(115,888)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(10,183)	-	-
FUND BALANCES, beginning of the year	<u>272,488</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of the year	<u>\$ 262,305</u>	<u>\$ -</u>	<u>\$ -</u>

Road Assessments P.I.H.A.	Road Assessments Parallel Road	Road Assessments Grand Lake Blvd	Debt Retirement P.I.H.A.	Capital Improvements
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
126,004	11,385	6,072	-	-
15,866	5,016	3,332	-	-
-	-	-	-	-
-	-	-	-	-
1,822	628	2,846	27	8,829
-	-	-	-	-
143,692	17,029	12,250	27	8,829
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	150,000	-
-	-	-	16,910	-
-	-	-	166,910	-
143,692	17,029	12,250	(166,883)	8,829
-	-	-	166,614	52,000
(166,614)	-	-	-	-
(166,614)	-	-	166,614	52,000
(22,922)	17,029	12,250	(269)	60,829
196,099	44,615	19,485	811	236,666
\$ 173,177	\$ 61,644	\$ 31,735	\$ 542	\$ 297,495

Continued

Presque Isle Township

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

June 30, 2008

	Road Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ -	\$ -	\$ 497,345
Licenses and permits	-	-	1,810
Special assessments	-	24,719	168,180
Interest on special assessments	-	3,673	27,887
State revenue	2,875	-	119,157
Charges for services	-	6,219	6,219
Investment income and rents	3,997	6,789	32,915
Other	-	5,081	6,419
Total revenues	<u>6,872</u>	<u>46,481</u>	<u>859,932</u>
EXPENDITURES			
Current operations:			
General government	-	11,483	188,638
Public safety	-	-	287,461
Public works	2,000	30,511	35,826
Community and economic development	-	-	32,405
Parks and recreation	-	11,664	13,855
Other	-	-	16,520
Debt service:			
Principal retirement	-	-	150,000
Interest and fees	-	-	16,910
Total expenditures	<u>2,000</u>	<u>53,658</u>	<u>741,615</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>4,872</u>	<u>(7,177)</u>	<u>118,317</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	75,433	309,047
Transfers out	(26,545)	-	(309,047)
Total other financing sources (uses)	<u>(11,545)</u>	<u>75,433</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(6,673)	68,256	118,317
FUND BALANCES , beginning of the year	<u>204,140</u>	<u>270,937</u>	<u>1,245,241</u>
FUND BALANCES , end of the year	<u>\$ 197,467</u>	<u>\$ 339,193</u>	<u>\$ 1,363,558</u>

See accompanying notes to financial statements.

Presque Isle Township

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2008

Net change in fund balances - Total governmental funds		\$	118,317
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.			
Expenditures for capital assets	\$	-	
Less current year depreciation		<u>(18,129)</u>	(18,129)
Repayment of bond and land purchase bank loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.			
Bond principal payments		<u>150,000</u>	150,000
Some revenues (costs) reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.			
Change in deferred revenue			(140,273)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest payable			<u>1,332</u>
Change in Net Assets of Governmental Activities		\$	<u><u>111,247</u></u>

See accompanying notes to financial statements.

Presque Isle Township

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2008

	Business-type Activities Enterprise Funds
	<u>Old Lighthouse Park</u>
ASSETS	
Current assets	
Cash and cash equivalents	<u>\$ 25,321</u>
Total current assets	<u>25,321</u>
Noncurrent assets	
Capital assets	477,088
Accumulated depreciation	<u>(67,724)</u>
Total noncurrent assets	<u>409,364</u>
Total assets	<u>434,685</u>
LIABILITIES	
Due to other funds	<u>11,720</u>
Total liabilities	<u>11,720</u>
NET ASSETS	
Invested in capital assets, net of related debt	409,364
Unrestricted	<u>13,601</u>
Total net assets	<u><u>\$ 422,965</u></u>

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2008

	Activities Enterprise Funds
	Old Lighthouse Park
OPERATING REVENUES	
Charges for services	\$ 25,697
Total operating revenues	25,697
OPERATING EXPENSES	
Contracted services	11,270
Repair & maintenance	2,026
Supplies & other	1,433
Utilities	5,057
Depreciation	12,154
Total operating expenses	31,940
OPERATING INCOME (LOSS)	(6,243)
NONOPERATING REVENUES (EXPENSES)	
State grant	35,159
Investment income and rents	839
Donations	4,485
Total nonoperating revenues (expenses)	40,483
CHANGE IN NET ASSETS	34,240
NET ASSETS - beginning of the year	388,725
NET ASSETS - end of the year	\$ 422,965

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2008

	Business-type Activities Enterprise Funds
	Old Lighthouse Park
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 25,697
Payments to suppliers	(19,786)
Net cash provided (used) by operating activities	5,911
CASH FLOWS FROM NONCAPITAL ACTIVITIES	
Transfers from other funds	11,720
State Grants	35,159
Donations	4,485
Net cash provided (used) by noncapital activities	51,364
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(46,879)
Net cash provided (used) by capital and related financing activities	(46,879)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	839
Net cash provided (used) by investing activities	839
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,235
CASH AND CASH EQUIVALENTS , beginning of the year	14,086
CASH AND CASH EQUIVALENTS , end of the year	\$ 25,321

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - Continued**

For the Year Ended June 30, 2008

	Business-type Activities Enterprise Funds
	Old Lighthouse Park
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ (6,243)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	12,154
Net cash provided (used) by operating activities	\$ 5,911
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Increase (decrease) in the fair value of investments	\$ -

See accompanying notes to financial statements.

Presque Isle Township

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2008

	Agency Fund - Tax Collection
	<hr/>
ASSETS	
Cash and cash equivalents	\$ -
	<hr/>
Total assets	-
	<hr/>
LIABILITIES AND FUND LIABILITIES	
Due to Presque Isle Township	-
Due to other governmental units	-
Refunds	-
	<hr/>
Total liabilities	-
	<hr/>
NET ASSETS	
Unrestricted	-
	<hr/>
Total net assets	\$ -
	<hr/> <hr/>

See accompanying notes to financial statements.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of the Presque Isle Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Presque Isle Township:

A. Reporting Entity

Presque Isle Township is governed by an elected five-member Township Board, composed of the supervisor, the clerk, the treasurer, and two trustees. The Township supervisor acts as the chief administrative and executive officer.

The accompanying financial statements present the government of the Township. Presque Isle Township does not have any component units, entities for which the government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

The government reports the following major governmental funds:

General Fund. This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Presque Isle Township Fire #2 and East Grand Lake Fire Department Funds. These funds account for tax levies for the purpose of providing fire protection authorized by a vote of the electors of Presque Isle Township.

Road Assessment Funds. These funds account for the special assessment districts for road improvements of Presque Isle Harbor Association, Parallel Road, and Grand Lake Blvd.

Debt Retirement Fund. These funds account for the special assessment districts for debt retirement of Presque Isle Harbor Association.

Capital Project Funds. These funds are used to account for the acquisition or construction of capital facilities.

The government reports the following major proprietary funds:

Old Lighthouse Park. Accounts for the activities related to the operation of the Old Lighthouse Park.

Additionally, the Presque Isle Township reports the following fund types:

Permanent Funds. Report resources that are legally restricted to the extent that only earnings, and not principal may be used to support operations.

Debt Service Funds. Account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Project Funds. These funds are used to account for the acquisition or construction of capital facilities.

Agency Funds. These funds are used to account for assets held in trust or as an agent for others.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments. Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables. In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items. Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets. Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements 20 years
Buildings 50 years
Building Improvements 15 years
Office Equipment 5 years

Long-Term Obligations. In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. continued)

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data / Reclassifications. Comparative total data for the prior year have been presented only in the management discussion and analysis and in the individual fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.

Budgets and Budgetary Accounting. Prior to adoption of the operating budget, Township departments prepare and submit their proposed operating budgets commencing the following July 1. A public hearing is conducted to obtain taxpayer comments. Prior to June 30, the budget is adopted by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year. Unused appropriations at June 30, are not carried forward to the following year. Budgeting control is legally maintained at the fund level for all funds except the General Fund which maintains control at the department level.

Budgets are to be prepared on the same basis of accounting as the financial statements. The Township prepared its budgets using the cash basis of accounting.

Individual budget amendments were not material in relation to the original appropriations.

Excess of Expenditures Over Appropriations in Budgeted Funds. The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Presque Isle Township's budgeted and actual expenditures for the funds budgeted have been shown on a functional basis.

During the year, the Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

Budget Item	Appropriated	Expended	Variance
General Fund			
General Government			
Township Board	\$ 35,000	\$ 37,478	\$ (2,478)
CDM Assessing	2,400	2,600	(200)
Office Personnel	12,000	12,881	(881)
Township Hall	18,000	19,923	(1,923)
Community and Economic Development			
Zoning and Appeals Board	13,000	13,637	(637)
Insurance and Bonds	12,500	16,520	(4,020)
Transfers to Other Funds	87,000	115,888	(28,888)

Accumulated Fund Deficits. The Presque Isle Township had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2008.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 3--DEPOSITS AND INVESTMENTS.

Michigan Compiled Laws, Section 129.91, authorizes the Presque Isle Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Presque Isle Township's deposits and investments are in accordance with statutory authority .

At year end, the Presque Isle Township's deposits and investments were reported in the basic financial statements in statements in the following categories:

	Governmental Activities	Business- type Activities	Fiduciary Funds
Cash and cash equivalents	<u>\$ 1,311,800</u>	<u>\$ 25,321</u>	<u>\$ 0</u>

The breakdown between deposits and investments is as follows:

	Primary Government
Imprest cash	\$ 50
Bank deposits (checking accounts, savings accounts, and Certificates of Deposit)	<u>1,337,071</u>
	<u>\$ 1,337,121</u>

The Township maintains three cash checking accounts. Checking accounts are pooled by fund type. Cash is not pooled. Cash equivalents generally include only investments with original maturities of three months or less.

The Township's cash and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the local unit.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 3--DEPOSITS AND INVESTMENTS. (continued)

As of June 30, 2008, \$976,952 of the Township's demand deposits (certificates of deposit, checking, and savings accounts) with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. The township believes that due to the dollar amounts of cash deposits and the preference of depositing township funds at local financial institutions and the limits of federal depository insurance, it is impractical to insure all deposits.

NOTE 4--RECEIVABLES.

Receivables for the primary government at June 30, 2008 are as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Special assessments	\$ 298,956	\$ -	\$ 298,956
	<u>\$ 298,956</u>	<u>\$ -</u>	<u>\$ 298,956</u>

NOTE 5--PROPERTY TAXES.

Property Taxes. Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. The taxes are due on February 14 with the final collection date of February 28 before they are added to the delinquent County of Presque Isle tax rolls. Assessed values are established annually and are equalized by the State at an estimated 50% of current market value. Property in Presque Isle Township for the 2007 levy was assessed at a taxable value of \$148,274,581. The Township's general operating rate is currently .9992 mills with additional mills of 2.5000 for East Grand Lake Fire Department and 2.0017 for Presque Isle Township Fire Department.

By agreement with the County of Presque Isle, delinquent real property taxes are purchased by the County of Presque Isle. The proceeds from the County's purchase of the delinquent taxes are used to liquidate the Township's delinquent real property taxes receivables.

NOTE 6--CAPITAL ASSETS.

Capital asset activity of the primary government for the current year was as follows:

	Balances June 30, 2007	Additions	(Deletions)	Balances June 30, 2008
Governmental activities:				
Capital assets not being Depreciated:				
Land	\$ 212,300	\$ -	\$ -	\$ 212,300
Capital assets being Depreciated:				
Land improvements	134,530	-	-	134,530
Buildings	314,340	-	-	314,340
Building Improvements	45,665	-	-	45,665
Equipment	18,138	-	-	18,138
	<u>512,673</u>	<u>-</u>	<u>-</u>	<u>512,673</u>

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 6--CAPITAL ASSETS. (continued)

	Balances June 30, 2007	Additions	(Deletions)	Balances June 30, 2008
Allowance for depreciation:				
Land improvements	\$ (47,575)	\$ (6,726)	\$ -	\$ (54,301)
Buildings	(95,579)	(6,287)	-	(101,866)
Buildings and improvements	(19,253)	(3,044)	-	(22,297)
Equipment	(15,032)	(2,072)	-	(17,104)
	<u>(177,439)</u>	<u>(18,129)</u>	<u>-</u>	<u>195,568</u>
Net capital assets being Depreciated	<u>335,234</u>	<u>(18,129)</u>	<u>-</u>	<u>317,105</u>
Net governmental capital assets	<u>\$ 547,534</u>	<u>\$ (18,129)</u>	<u>\$ -</u>	<u>\$ 529,405</u>
Business-type activities:				
Capital assets being Depreciated:				
Buildings and improvements	<u>430,209</u>	<u>46,879</u>	<u>-</u>	<u>477,088</u>
	<u>430,230</u>	<u>46,879</u>	<u>-</u>	<u>477,088</u>
Allowance for depreciation:				
Buildings and improvements	<u>(55,570)</u>	<u>(12,154)</u>	<u>-</u>	<u>(67,724)</u>
	<u>(55,570)</u>	<u>(12,154)</u>	<u>-</u>	<u>(67,724)</u>
Net business-type capital assets	<u>\$ 374,639</u>	<u>\$ (37,725)</u>	<u>\$ -</u>	<u>\$ 409,364</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 12,605
Parks and recreation	<u>5,524</u>
	<u>\$ 18,129</u>
Business-type activities:	
Old Lighthouse Park	<u>\$ 12,154</u>
	<u>\$ 12,154</u>

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 7--LONG-TERM DEBT.

Bond and contractual obligation activity can be summarized as follows:

	Balances, Jun 30, 2007	Additions	(Deductions)	Balances, Jun 30, 2008	Due within one year
Governmental Activities					
General Obligation Bonds:					
2000 Special assessment bonds					
Amount of issue: \$995,000					
Maturing through 2009					
Interest rate ranges - 4.6%-5.4%					
Principal maturity range \$110,000-					
\$115,000	\$ 225,000	\$ -	\$ (110,000)	\$ 115,000	\$ 115,000
2000 Special assessment bonds					
Amount of issue: \$320,000					
Maturing through 2009					
Interest rate ranges - 5.2%-5.4%					
Principal maturity range \$20,000-					
\$40,000	80,000	-	(40,000)	40,000	40,000
Total governmental activities	<u>\$ 305,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 155,000</u>	<u>\$ 155,000</u>

The annual requirements to pay principal and interest on long-term debt obligations outstanding at June 30, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ <u>155,000</u>	\$ <u>8,370</u>	\$ <u>163,370</u>
	\$ <u>155,000</u>	\$ <u>8,370</u>	\$ <u>163,370</u>

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 8--FUND EQUITY RESERVATIONS AND DESIGNATIONS.

Fund equity reservations and designations of the various funds at June 30, 2008 are as follows:

Debt Retirement fund	
Reserved for debt retirement	
P.I.H.A. Debt Retirement	\$ 542
	<u>542</u>
Special Revenue Funds	
Reserved for road improvements	
Road assessments – Blue Horizon	2,607
Road assessments – Hoffman	1,314
Road assessments – P.I.H.A.	173,177
Road assessments – Grand Lake Blvd.	31,735
Road assessments – Evergreen/Dault	92,905
Road assessments – Esau Heights	73,275
Road assessments – Bell Bay	10,412
Road assessments – Hoffman	6,757
Road assessments – Parallel	61,644
Road assessments – Blue Horizons (paving)	11,542
Capital Project Funds	
Road improvements	197,467
	<u>662,835</u>
Capital Project Funds	
Reserved for capital outlay	
Capital improvements	297,495
Recreational long-range	72,319
	<u>369,814</u>

NOTE 9--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS.

The composition of interfund balances at June 30, 2008 is as follows:

	Interfund Receivable	Interfund Payable
	\$	
Long-range recreation	11,720	\$ -
Road improvements	50,000	-
Road assessments – Grand Lake Blvd.	-	50,000
Old Light House Park	-	11,720
	<u>\$ 61,720</u>	<u>\$ 61,720</u>

The balance represents temporary cash flow assistance for road improvements and the new lantern room for the Old Presque Isle Lighthouse.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 9--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS. (continued)

	Transfers In	Transfers Out
General Fund	\$ -	\$ (115,888)
Special Revenue Funds		
Road assessments – P.I.H.A.	-	(166,614)
Road assessments – Blue Horizons.	26,545	-
Debt Service Funds		
Debt Retirement – P.I.H.A.	166,614	-
Capital Project Funds		
Capital improvements	52,000	-
Recreational long range	23,888	-
Road improvements	15,000	(26,545)
Cemetery	25,000	-
	<u>\$ 309,047</u>	<u>\$ 309,047</u>

The Township's General Fund transfers to its Capital Project Funds represents the set-aside of unrestricted resources for future Township projects.

The transfer between road assessment funds represents temporary cash flow assistance for road improvements.

The Road Assessment – P.I.H.A transfer to the Debt Service Funds represents transfers to meet current debt service requirements.

NOTE 10--RETIREMENT PLAN.

The Township makes available pension benefits for all of its employees through participation in the *Presque Isle Township Employee Money Purchase Pension Plan*, a defined contribution plan.

The Township's total covered payroll for the fiscal year ended June 30, 2008 was \$113,854, and its total payroll for all employees was \$113,854.

The Township and the employees can contribute up to a combined amount equal to 25% of the employees' annual compensation. Presque Isle Township contributes 6% of annual wages for eligible employees to this plan, while the employees contribute up to 19% of annual wages. Employees are eligible to participate as of the first day of the plan year following the start of employment and must have reached the age of eighteen. The participants' interest is 100% vested upon entering the plan.

For the year ended June 30, 2008, the Township's pension contribution amounted to \$6,933. In addition, employees contributed \$21,024 to the plan.

Presque Isle Township

NOTES TO FINANCIAL STATEMENTS

NOTE 11--POSTRETIREMENT BENEFITS.

Presque Isle Township offers no postretirement benefits in addition to the pension plan to its retirees.

NOTE 12--BUILDING CODE ACTIVITY.

State of Michigan Construction Code Act (Public Act 245 of 1999) requires building code activity to be separated from other general fund activity effective January 1, 2000. Presque Isle County administers all building activity; therefore, the Township does not have any building code activity.

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 272,488	\$ 272,488	\$ 272,488	\$ -
Resources (inflows):				
Taxes	204,820	204,820	210,934	6,114
Licenses and permits	2,000	2,000	1,810	(190)
State revenue	116,160	116,160	116,282	122
Investment income and rents	9,000	9,000	7,527	(1,473)
Other	-	-	1,338	1,338
Amounts available for appropriation	604,468	604,468	610,379	5,911
Charges to appropriation (outflows):				
General government				
Township board	35,000	35,000	37,478	(2,478)
Supervisor	16,000	16,000	15,481	519
Elections	5,000	5,000	3,125	1,875
Assessor	29,500	29,500	27,997	1,503
CDM assessing	2,400	2,400	2,600	(200)
Clerk	24,000	24,000	22,078	1,922
Office personnel	12,000	12,000	12,881	(881)
Board of review	3,500	3,500	1,621	1,879
Treasurer	32,000	32,000	30,885	1,115
Township hall	18,000	18,000	19,923	(1,923)
Office improvements	10,000	10,000	852	9,148
Cemetery	3,000	3,000	2,234	766
Contingency	2,000	2,000	-	2,000
	192,400	192,400	177,155	15,245
Public safety				
Liquor inspection	600	600	600	-
	600	600	600	-
Public works				
Street lighting	4,000	4,000	3,315	685
	4,000	4,000	3,315	685
Community and economic development				
Zoning and appeals board	13,000	13,000	13,637	(637)
Planning commission	19,000	19,000	18,768	232
	32,000	32,000	32,405	(405)

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Charges to appropriation (continued)				
Parks and recreation				
Library	\$ 1,000	\$ 1,000	\$ 283	\$ 717
Parks/recreation	2,480	2,480	1,908	572
	<u>3,480</u>	<u>3,480</u>	<u>2,191</u>	<u>1,289</u>
Other				
Insurance and bonds	12,500	12,500	16,520	(4,020)
	<u>12,500</u>	<u>12,500</u>	<u>16,520</u>	<u>(4,020)</u>
Transfers to other funds	87,000	87,000	115,888	(28,888)
Total charges to appropriations	<u>331,980</u>	<u>331,980</u>	<u>348,074</u>	<u>(16,094)</u>
Budgetary fund balance, June 30	<u>\$ 272,488</u>	<u>\$ 272,488</u>	<u>\$ 262,305</u>	<u>\$ (10,183)</u>

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
MAJOR FUNDS**

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
PRESQUE ISLE TOWNSHIP FIRE #2				
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Taxes	-	140,227	140,227	-
Investment income and rents	-	180	180	-
Amounts available for appropriation	-	140,407	140,407	-
Charges to appropriation (outflows):				
Public safety	-	140,407	140,407	-
Total charges to appropriations	-	140,407	140,407	-
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EAST GRAND LAKE FIRE DEPARTMENT				
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Taxes	-	146,184	146,184	-
Investment income and rents	-	270	270	-
Amounts available for appropriation	-	146,454	146,454	-
Charges to appropriation (outflows):				
Public safety	-	146,454	146,454	-
Total charges to appropriations	-	146,454	146,454	-
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
MAJOR FUNDS**

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
ROAD ASSESSMENTS P.I.H.A.				
Budgetary fund balance, July 1	\$ -	\$ 196,099	\$ 196,099	\$ -
Resources (inflows):				
Special assessments	-	126,004	126,004	-
Interest on special assessments	-	15,866	15,866	-
Investment income and rents	-	1,822	1,822	-
Amounts available for appropriation	-	339,791	339,791	-
Charges to appropriation (outflows):				
Transfer to other funds	-	166,614	166,614	-
Total charges to appropriations	-	166,614	166,614	-
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ 173,177</u>	<u>\$ 173,177</u>	<u>\$ -</u>
ROAD ASSESSMENTS PARALLEL ROAD				
Budgetary fund balance, July 1	\$ -	\$ 44,615	\$ 44,615	\$ -
Resources (inflows):				
Special assessments	-	11,385	11,385	-
Interest on special assessments	-	5,016	5,016	-
Investment income and rents	-	628	628	-
Amounts available for appropriation	-	61,644	61,644	-
Charges to appropriation (outflows):				
Public works	-	-	-	-
Total charges to appropriations	-	-	-	-
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ 61,644</u>	<u>\$ 61,644</u>	<u>\$ -</u>

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS**

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
ROAD ASSESSMENTS GRAND LAKE BLVD.				
Budgetary fund balance, July 1	\$ -	\$ 19,485	\$ 19,485	\$ -
Resources (inflows):				
Special assessments	-	6,072	6,072	-
Interest on special assessments	-	3,332	3,332	-
Investment income and rents	-	2,846	2,846	-
Amounts available for appropriation	-	31,735	31,735	-
Charges to appropriation (outflows):				
Public works	-	-	-	-
Total charges to appropriations	-	-	-	-
Budgetary fund balance, June 30	\$ -	\$ 31,735	\$ 31,735	\$ -
DEBT RETIREMENT - P.I.H.A.				
Budgetary fund balance, July 1	\$ -	\$ 811	\$ 811	\$ -
Resources (inflows):				
Investment income and rents	-	27	27	-
Transfer from other funds	-	166,614	166,614	-
Amounts available for appropriation	-	167,452	167,452	-
Charges to appropriation (outflows):				
Debt service	-	166,910	166,910	-
Total charges to appropriations	-	166,910	166,910	-
Budgetary fund balance, June 30	\$ -	\$ 542	\$ 542	\$ -

Presque Isle Township

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS**

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
CAPITAL IMPROVEMENTS				
Budgetary fund balance, July 1	\$ -	\$ 236,666	\$ 236,666	\$ -
Resources (inflows):				
Investment income and rents	-	8,829	8,829	-
Transfer from other funds	-	52,000	52,000	-
Amounts available for appropriation	-	297,495	297,495	-
Charges to appropriation (outflows):				
Recreation and culture	-	-	-	-
Total charges to appropriations	-	-	-	-
Budgetary fund balance, June 30	\$ -	\$ 297,495	\$ 297,495	\$ -
ROAD IMPROVEMENTS				
Budgetary fund balance, July 1	\$ -	\$ 204,140	\$ 204,140	\$ -
Resources (inflows):				
State revenue	-	2,875	2,875	-
Investment income and rents	-	3,997	3,997	-
Transfer from other funds	-	15,000	15,000	-
Amounts available for appropriation	-	226,012	226,012	-
Charges to appropriation (outflows):				
Public works	-	2,000	2,000	-
Transfer to other funds	-	26,545	26,545	-
Total charges to appropriations	-	28,545	28,545	-
Budgetary fund balance, June 30	\$ -	\$ 197,467	\$ 197,467	\$ -

Presque Isle Township

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Road Assessments Blue Horizon	Road Assessments Hoffman	Road Assessments Evergreen/ Dault
ASSETS			
Cash and cash equivalents	\$ 2,607	\$ 1,314	\$ 92,905
Special assessments receivable	-	-	14,744
Due from other funds	-	-	-
Total assets	<u>\$ 2,607</u>	<u>\$ 1,314</u>	<u>\$ 107,649</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	14,744
Total liabilities	<u>-</u>	<u>-</u>	<u>14,744</u>
Fund Balances:			
Reserved for:			
Road improvements	2,607	1,314	92,905
Capital outlay	-	-	-
Unreserved, reported in			
Capital project funds	-	-	-
Permanent fund	-	-	-
Total fund balances	<u>2,607</u>	<u>1,314</u>	<u>92,905</u>
Total liabilities and fund balances	<u>\$ 2,607</u>	<u>\$ 1,314</u>	<u>\$ 107,649</u>

Road Assessments Esau Heights	Road Assessments Bell Bay	Road Assessments Hoffman	Road Assessments Blue Horizons	Long-Range Recreation	Software/ Tech Support
\$ 73,275	\$ 10,412	\$ 6,757	\$ 11,542	\$ 60,599	\$ 4,419
25,674	1,501	3,555	16,445	-	-
-	-	-	-	11,720	-
<u>\$ 98,949</u>	<u>\$ 11,913</u>	<u>\$ 10,312</u>	<u>\$ 27,987</u>	<u>\$ 72,319</u>	<u>\$ 4,419</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25,674	1,501	3,555	16,445	-	-
<u>25,674</u>	<u>1,501</u>	<u>3,555</u>	<u>16,445</u>	<u>-</u>	<u>-</u>
73,275	10,412	6,757	11,542	-	-
-	-	-	-	72,319	-
-	-	-	-	-	4,419
-	-	-	-	-	-
<u>73,275</u>	<u>10,412</u>	<u>6,757</u>	<u>11,542</u>	<u>72,319</u>	<u>4,419</u>
<u>\$ 98,949</u>	<u>\$ 11,913</u>	<u>\$ 10,312</u>	<u>\$ 27,987</u>	<u>\$ 72,319</u>	<u>\$ 4,419</u>

Continued

Presque Isle Township

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

June 30, 2008

	Bike Path	Cemetery	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,181	\$ 54,462	\$ 327,473
Special assessments receivable	-	-	61,919
Due from other funds	-	-	11,720
Total assets	<u>\$ 9,181</u>	<u>\$ 54,462</u>	<u>\$ 401,112</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	61,919
Total liabilities	<u>-</u>	<u>-</u>	<u>61,919</u>
Fund Balances:			
Restricted for:			
Road improvements	-	-	198,812
Capital outlay	-	-	72,319
Unreserved, reported in			
Capital project funds	9,181	-	13,600
Permanent fund	-	54,462	54,462
Total fund balances	<u>9,181</u>	<u>54,462</u>	<u>339,193</u>
Total liabilities and fund balances	<u>\$ 9,181</u>	<u>\$ 54,462</u>	<u>\$ 401,112</u>

Presque Isle Township

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2008

	Road Assessments Blue Horizon	Road Assessments Hoffman	Road Assessments Evergreen/ Dault
REVENUES			
Taxes	\$ -	\$ -	\$ -
Special assessments	-	-	5,212
Interest on special assessments	-	-	1,270
Charges for services	-	-	-
Investment income and rents	144	87	2,000
Other	-	-	-
Total revenues	<u>144</u>	<u>87</u>	<u>8,482</u>
EXPENDITURES			
Current operations			
General government	-	-	-
Public safety	-	-	-
Public works	2,428	1,538	-
Parks and recreation	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fees	-	-	-
Total expenditures	<u>2,428</u>	<u>1,538</u>	<u>-</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(2,284)</u>	<u>(1,451)</u>	<u>8,482</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers (to) other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(2,284)	(1,451)	8,482
FUND BALANCES, beginning of the year	<u>4,891</u>	<u>2,765</u>	<u>84,423</u>
FUND BALANCES, end of the year	<u>\$ 2,607</u>	<u>\$ 1,314</u>	<u>\$ 92,905</u>

Road Assessments Esau Heights	Road Assessments Bell Bay	Road Assessments Hoffman	Road Assessments Blue Horizons	Long-Range Recreation	Software/ Tech Support
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,419	375	1,252	11,461	-	-
2,043	120	240	-	-	-
-	-	-	-	-	-
467	68	203	81	1,929	6
-	-	-	-	4,840	241
<u>8,929</u>	<u>563</u>	<u>1,695</u>	<u>11,542</u>	<u>6,769</u>	<u>247</u>
-	-	-	-	-	5,678
-	-	-	-	-	-
-	-	-	26,545	-	-
-	-	-	-	11,645	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>26,545</u>	<u>11,645</u>	<u>5,678</u>
<u>8,929</u>	<u>563</u>	<u>1,695</u>	<u>(15,003)</u>	<u>(4,876)</u>	<u>(5,431)</u>
-	-	-	26,545	23,888	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>26,545</u>	<u>23,888</u>	<u>-</u>
8,929	563	1,695	11,542	19,012	(5,431)
64,346	9,849	5,062	-	53,307	9,850
<u>\$ 73,275</u>	<u>\$ 10,412</u>	<u>\$ 6,757</u>	<u>\$ 11,542</u>	<u>\$ 72,319</u>	<u>\$ 4,419</u>

Continued

Presque Isle Township

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED**

For the Year Ended June 30, 2008

	Bike Path	Cemetery	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ -	\$ -	\$ -
Special assessments	-	-	24,719
Interest on special assessments	-	-	3,673
Charges for services	-	6,219	6,219
Investment income and rents	305	1,499	6,789
Other	-	-	5,081
Total revenues	<u>305</u>	<u>7,718</u>	<u>46,481</u>
EXPENDITURES			
Current operations			
General government	-	5,805	11,483
Public safety	-	-	-
Public works	-	-	30,511
Parks and recreation	19	-	11,664
Debt service			
Principal retirement	-	-	-
Interest and fees	-	-	-
Total expenditures	<u>19</u>	<u>5,805</u>	<u>53,658</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>286</u>	<u>1,913</u>	<u>(7,177)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	25,000	75,433
Transfers (to) other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>75,433</u>
NET CHANGE IN FUND BALANCES	286	26,913	68,256
FUND BALANCES, beginning of the year	<u>8,895</u>	<u>27,549</u>	<u>270,937</u>
FUND BALANCES, end of the year	<u>\$ 9,181</u>	<u>\$ 54,462</u>	<u>\$ 339,193</u>

Presque Isle Township

General Fund

COMPARATIVE BALANCE SHEET

	June 30	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ 262,267	\$ 273,237
Prepaid items	4,100	-
	<u>\$ 266,367</u>	<u>\$ 273,237</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 323
Accrued liabilities	4,062	426
Total liabilities	<u>4,062</u>	<u>749</u>
FUND BALANCES		
Unreserved		
Undesignated	<u>262,305</u>	<u>272,488</u>
Total fund balances	<u>262,305</u>	<u>272,488</u>
	<u>\$ 266,367</u>	<u>\$ 273,237</u>

Presque Isle Township

General Fund

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES

	Year Ended June 30		
	2008 Budget	2008 Actual	2007 Actual
REVENUES			
TAXES			
Property taxes	\$ 141,500	\$ 143,034	\$ 133,828
Penalties and fees	62,700	65,333	64,064
Other	620	2,567	616
	<u>204,820</u>	<u>210,934</u>	<u>198,508</u>
LICENSES AND PERMITS			
Zoning	<u>2,000</u>	<u>1,810</u>	<u>2,733</u>
STATE REVENUE			
State revenue sharing	115,500	115,622	115,036
Liquor license fees	660	660	-
	<u>116,160</u>	<u>116,282</u>	<u>115,036</u>
INVESTMENT INCOME AND RENTS			
Investment income	8,500	7,216	12,071
Rents	500	311	580
	<u>9,000</u>	<u>7,527</u>	<u>12,651</u>
OTHER			
Refunds and reimbursements	-	1,203	962
Miscellaneous	-	135	1,161
	<u>-</u>	<u>1,338</u>	<u>2,123</u>
Total revenues	<u>331,980</u>	<u>337,891</u>	<u>331,051</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Township board	35,000	37,478	30,120
Supervisor	16,000	15,481	14,264
Elections	5,000	3,125	4,919
Assessor	29,500	27,997	27,088
CDM assessing	2,400	2,600	2,400
Clerk	24,000	22,078	23,494
Office personnel	12,000	12,881	9,024
Board of review	3,500	1,621	2,222
Treasurer	32,000	30,885	29,838
Township hall	18,000	19,923	17,724
Office improvements	10,000	852	2,979
Cemetery	3,000	2,234	2,198
Contingency	2,000	-	-
	<u>192,400</u>	<u>177,155</u>	<u>166,270</u>

Presque Isle Township

General Fund

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES

	Year Ended June 30		
	2008 Budget	2008 Actual	2007 Actual
EXPENDITURES (continued)			
PUBLIC SAFETY			
Liquor law enforcement	\$ 600	\$ 600	\$ 600
	<u>600</u>	<u>600</u>	<u>600</u>
PUBLIC WORKS			
Street lighting	4,000	3,315	3,098
	<u>4,000</u>	<u>3,315</u>	<u>3,098</u>
COMMUNITY AND ECONOMIC DEVELOPMENT			
Zoning and appeals board	13,000	13,637	12,284
Planning commission	19,000	18,768	15,625
	<u>32,000</u>	<u>32,405</u>	<u>27,909</u>
PARKS AND RECREATION			
Library	1,000	283	-
Parks and recreation	2,480	1,908	1,426
	<u>3,480</u>	<u>2,191</u>	<u>1,426</u>
OTHER			
Insurance and bonds	12,500	16,520	1,709
	<u>12,500</u>	<u>16,520</u>	<u>1,709</u>
Total expenditures	<u>244,980</u>	<u>232,186</u>	<u>201,012</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>87,000</u>	<u>105,705</u>	<u>130,039</u>
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds			
Cemetery	(15,000)	(25,000)	-
Road improvements	(15,000)	(15,000)	(25,000)
Capital improvements	(52,000)	(52,000)	(130,231)
Recreational long range	(5,000)	(23,888)	(20,000)
Total other financing sources (uses)	<u>(87,000)</u>	<u>(115,888)</u>	<u>(175,231)</u>
NET CHANGE IN FUND BALANCES	-	(10,183)	(45,192)
FUND BALANCES , beginning of year	<u>272,488</u>	<u>272,488</u>	<u>317,680</u>
FUND BALANCES , end of the year	<u>\$ 272,488</u>	<u>\$ 262,305</u>	<u>\$ 272,488</u>

Presque Isle Township

**COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS**

Year Ended June 30, 2008

	<u>Balances, June 30, 07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances, June 30, 08</u>
TAX COLLECTION				
ASSETS				
Cash and equivalents	\$ 37	\$ 4,847,206	\$ 4,847,243	\$ -
	<u>\$ 37</u>	<u>\$ 4,847,206</u>	<u>\$ 4,847,243</u>	<u>\$ -</u>
LIABILITIES				
Due to Presque Isle Township	\$ 37	\$ 684,900	\$ 684,937	\$ -
Due to other governmental units	-	4,140,698	4,140,698	-
Refunds	-	21,608	21,608	-
	<u>\$ 37</u>	<u>\$ 4,847,206</u>	<u>\$ 4,847,243</u>	<u>\$ -</u>

Presque Isle Township

SCHEDULE OF INDEBTEDNESS

June 30, 2008

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
GENERAL LONG-TERM DEBT ACCOUNT GROUP				
County of Presque Isle, State of Michigan 2000A Special Assessment Road Bonds Date of Issue: April 1, 2000 Amount of Issue: \$995,000	5.40%	2008/09	<u>\$ 115,000</u>	<u>\$ 6,210</u>
			<u>115,000</u>	<u>6,210</u>
County of Presque Isle, State of Michigan 2000B Special Assessment Road Bonds Date of Issue: June 1, 2000 Amount of Issue: \$320,000	5.40%	2008/09	<u>40,000</u>	<u>2,160</u>
			<u>40,000</u>	<u>2,160</u>
Total Long-Term Debt			<u><u>\$ 155,000</u></u>	<u><u>\$ 8,370</u></u>



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WARREN W. YOUNG, C.P.A.

To the Township Board
Presque Isle Township, Michigan

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS. We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Presque Isle Township, Michigan** as of and for the year ended June 30, 2008, which collectively comprise the **Presque Isle Township, Michigan's** basic financial statements and have issued our report thereon dated December 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Presque Isle Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Presque Isle Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Presque Isle Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Presque Isle Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Presque Isle Township's financial statements that is more than inconsequential will not be prevented or detected by the Presque Isle Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Presque Isle Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Presque Isle Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Presque Isle Township in a separate letter dated December 17, 2008.

This report is intended solely for the information and use of management, the audit committee, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Straley, Isley & Lamb P.C.

December 17, 2008



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To the Board of Trustees
Presque Isle Township
Presque Isle, Michigan

We have completed our engagement of the audit of the financial statements of Presque Isle Township (the "Township") for the year ended June 30, 2008. In addition to our audit report, we are providing the following:

Letter of increased audit communications as prescribed by Statement on Auditing Standards (SAS) 112

Letter of required audit communication, as prescribed by SAS 114

Other recommendations and informational comments which impact the Township

	<u>Page</u>
Internal Control Communications (SAS 112 Letter)	2
Audit Communications (SAS 114 Letter)	5

We appreciate the opportunity to serve Presque Isle Township. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Straley, Ilsley & Lamp P.C.

December 17, 2008



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INTERNAL CONTROL COMMUNICATIONS

To the Board of Trustees
Presque Isle Township
Presque Isle, Michigan

New auditing rules have resulted in changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standard (Statement on Auditing Standards No. 112, referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new standard defines as a "significant deficiency." The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the Township board members in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the basic financial statements of Presque Isle Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Presque Isle Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We consider the following deficiencies to be material weaknesses:

- **Financial Statement Presentation**

As is the case with many smaller and medium-sized entities, Presque Isle Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of the Township's internal controls. In taking this required position, we must consider whether the Township has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor intervention.

The Township uses accounting software generated financial statements as a management tool to monitor the financial status of the Township. Due to the complexity of the required government-wide financial statements, proprietary fund reporting and related note disclosures, the Township does not demonstrate the expertise to report in accordance with U.S. generally accepted accounting principles without auditor intervention.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result, the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

- **Fire Department Tax Collections.**

Although the Presque Isle Fire Department #2 and the East Grand Lake Fire Department are operated as separate governmental units autonomous from Presque Isle Township their operating millages are voted upon and considered a millage of the Township. Therefore, the collection of the fire taxes and subsequent distribution by the Township should be recorded in the financial activity of the Township. We posted audit entries of \$140,406 and \$146,454, respectively to reflect this financial activity.

- **Capital Additions and Depreciation.**

Annually, as a part of the auditing procedures performed, the Township updates a property schedule of the Township's physical plant activity. Based upon the information contained in this schedule, we recorded capital additions of \$46,879 and accumulated depreciation and depreciation expense of \$12,154 in the Old Lighthouse Park Fund for the year ended June 30, 2008 through audit adjustments. We also recorded \$18,129 in accumulated depreciation and depreciation expense in the capital asset activity of the Township's government-wide financial statements.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We wish to thank the staff of Presque Isle Township for their assistance during the audit.

This report is intended solely for the information and use of the management, the Board of Trustees, and others within the organization, and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve Presque Isle Township. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

Straley, Isley & Lamp P.C.

December 17, 2008



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AUDIT COMMUNICATIONS

To the Board of Trustees
Presque Isle Township
Alpena, Michigan

We have audited the financial statements of Presque Isle Township for the year ended June 30, 2008, and have issued our report thereon dated December 17, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards.

As stated in our engagement letter dated November 20, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Presque Isle Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Presque Isle Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on November 25, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. These items are identified starting on page 3 of this report.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 17, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Eleven new auditing standards have been issued that require significant changes in how audits are performed. Similar to the Sarbanes-Oxley rules that impacted publicly held corporations, these rules are intended to help audited entities strengthen their internal controls. In brief, these new rules require all auditors to:

- Obtain a deeper understanding of the design and operation of internal control
- Assess the effectiveness of internal control
- Obtain corroborating evidence that the understanding is correct and the assessment is appropriate (i.e., inspection of documents, observation of procedures, or inquiry)
- Consider “what could go wrong” in the financial statement process (evaluate the risks of financial statement errors)
- Link the results to specific further audit procedures
- Communicate a summary of the results of the auditor’s work to those charged with governance (the Board of Trustees)

As you can see, auditors will spend significantly more time working with all aspects of your internal control. These new rules are not limited to the public sector – they will apply to any organization that obtains an audit (nonprofit organization, private company, etc.). These new rules have impacted audited organizations in two ways: your finance staff has incurred more time and effort in preparation for the audit, and the audit process has required additional time.

Other Matters

1. Recent Pronouncements. The Governmental Accounting Standards Board and Michigan Department of Treasury, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way Presque Isle Township maintains its financial records:

- A. GASB Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations.** This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This will require the Township to capitalize pollution remediation outlays in the future. The requirements of this statement are effective for financial statements of the Township for the year ended June 30, 2009.
- B. GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets.** This statement establishes consistent standards as to whether intangible assets including easements, timber rights, and computer software should be considered capital assets for financial reporting purposes. The requirements of this statement are effective for financial statements of the Township for the year ended June 30, 2010.

2. Issues Likely to Impact Governments.

- A. Government Deposit Insurance.** Under Michigan Law, governmental units, including Townships, are directed and limited where they may invest or deposit public funds. Depository institutions such as banks, credit unions, or savings and loans may offer FDIC insurance coverage.

The insurance coverage of a Township's accounts depends upon the type of deposit. All time and savings deposits (which include NOW accounts, CD's, money market deposit accounts, and other interest-bearing accounts) held by a Township in a particular insured depository institution within the State are added together and insured up to \$250,000 (until December 31, 2009). Separately, all demand deposits (checking accounts) held in the same insured depository institution within the same State are added together and insured up to \$250,000. Special rules apply to funds that are required to be set aside for debt owed to holders of notes or bonds – additional insured coverage may be available for the beneficial interest of each bondholder.

Recent market events have indicated that certain financial institutions, including some within the Midwest region, may be experiencing financial distress. In the event of a regulatory takeover of a financial institution, uninsured or underinsured depositors may not receive all of their funds back after the regulatory takeover.

We wish to thank the staff of Presque Isle Township for their assistance during the audit.

This report is intended solely for the information and use of Presque Isle Township Board of Trustees, Michigan Department of Treasury, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve Presque Isle Township. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

Straley, Isley & Lamp P.C.

December 17, 2008